

1 **Q. DO THE SURVEYS UPON WHICH VERIZON'S NON-RECURRING**
2 **CHARGES ARE BASED RETURN EFFICIENT, LEAST-COST TASK**
3 **TIMES?**

4 A. No. Verizon asserts that its survey responses were reviewed carefully for
5 reasonableness.⁷⁸ However, the examples we have already enumerated show that
6 that review cannot have been very rigorous. Verizon's survey methodology is so
7 seriously flawed conceptually and practically that the Commission should not use
8 the survey results as the basis for setting non-recurring costs. What is clear is that
9 Verizon's survey could not possibly represent efficient work times. We present
10 numerous examples of inflated, inefficient task times throughout this testimony.

11 **Q. DO YOU HAVE OTHER EXAMPLES OF THE INCONSISTENCIES**
12 **THAT RESULT FROM VERIZON'S METHODOLOGY?**

13 A. Yes. To illustrate this inappropriate cost modeling, we have included a review of
14 the work activities Verizon claims are necessary for the "Two Wire New Initial
15 UNE Loop." The process workflow we will describe occurs when the ILEC
16 reuses the existing *Loop* facilities and does not intend to collect non-recurring
17 charges for Field Installation.

18 We have taken the work activities for Verizon's "Two Wire New Initial
19 UNE Loop"⁷⁹ and laid them out in a process workflow diagram to describe
20 Verizon's so-called forward-looking process AT&T/WCOM NRCM-5. This

⁷⁸ Verizon Cost Panel Direct at 312-313.

⁷⁹ Verizon NRCM, Tab 1.

1 process view reflects the provisioning process beginning with the CO Frame
2 activities because these activities represent *the temporary core activities* necessary
3 to place a cross-connection between the ILEC's cable pair and the CLEC's
4 equipment.

5 Verizon starts its process with CO Frame Task #3, which is actually two
6 tasks. We have divided this task into two individual tasks because the CO Frame
7 technicians do not normally retrieve one order at a time; they typically retrieve
8 their orders in a "work package" with other orders. The work package allows a
9 normal progression of work to continue without returning to OSS for each order.
10 So the first obvious question is "on average, how many orders are retrieved in the
11 course of CO Frame task # 3?" If the average number of orders is greater than 1,
12 then Verizon should divide the *total* time it takes to retrieve the orders by the
13 average number of orders associated with this task. Verizon's NRCM and
14 supporting documentation is devoid of any such input, implying that the assumed
15 process inefficiently involves retrieval of one order at a time.

16 Mr. Walsh's experience in observing CO Frame technicians performing
17 this task in a retail environment leads him to believe this retrieval would yield on
18 average approximately 8-10 orders, and the time involved to retrieve the work
19 package is generally under 10 minutes. There may be another 15 minutes or so to
20 give the work package a cursory review. Thus, the total time for the 8-10 orders
21 would be approximately 25 minutes, or about two and a half minutes for each
22 order. The task time indicated in Verizon's NRCM appears to reflect the

1 technician work to retrieve just one order, thus undoing the efficiencies gained by
2 the multiple order work package.

3 Some percentage of the orders will require travel to a remote/un-manned
4 CO. It is not efficient to travel to a CO to perform just one task; therefore, this
5 travel time needs to be divided by the total number of tasks that CO Frame
6 technician will complete while at that Central Office. Verizon's NRCM fails to
7 provide any user-adjustable input as to the number of orders or tasks the
8 technician travels to perform and is expected to complete and appears erroneously
9 to assume that the technician performs a single task at the remote CO.

10 Based on Mr. Walsh's NYNEX experience observing CO Frame
11 technicians being dispatched to remote offices, technicians usually perform at
12 least four tasks at a remote CO. The *****VERIZON PROPRIETARY *******
13 ******* END VERIZON PROPRIETARY***** of travel for the CO Frame
14 technician appears to be the time that Verizon claims is necessary to move the
15 technician from office to office, rather than a *pro rata* share of that technician's
16 travel time, spread over the total number of tasks to be performed. Again,
17 Verizon's NRCM model lacks user adjustable inputs to reflect the variations of
18 forward-looking network.⁸⁰

⁸⁰ Verizon's travel time estimates are implausibly inconsistent. For the 2 Wire Loop UNE, Verizon claims this requirement is necessary 12% of the time, implying that 12% of the facilities are in non-staffed central offices, which seems to be reasonable. However, on the "Two Wire Hotcut - Initial" element, this percentage increase to 24%. There is no
(continued)

1 The next Verizon CO Frame task (CO Frame Task #8) in sequence has to
2 be divided into three individual tasks because it presents a decision point as to the
3 validity of the service order assignment received (workable or non-workable) and
4 the action required if the assignment is defective. Verizon has presented this task
5 (CO FRAME TASK #8) with a typical occurrence factor of 75%, but has
6 provided too little information to determine what percentage of that time results
7 from the re-verification (verification was also performed in task #3) or the
8 discovery of defective assignments.

9 The retail process that Mr. Walsh is familiar with involves the verification
10 and cross-wire placement at essentially the same time. The technician takes the
11 cross-wire in hand and goes to the office equipment location first. If the
12 equipment is available for use, as indicated on the order, he/she begins the cross-
13 wiring activity by cutting in the wires and placing the cross-wire along the
14 horizontal shelves to the cable pair location. If the assigned cable pair is
15 available, then the technician terminates the remaining end of the cross-wire. Only
16 when facilities don't agree does any further verification begin. As this discussion
17 illustrates, task 8 (verification) will generally be unnecessary and/or duplicative of
18 time included elsewhere in Verizon's non-recurring cost studies.

reason that explains a 100% increase in the number of facilities appearing in non-staffed
Central Offices for hotcuts or a 100% increase in the amount of travel time applied for
that task.

1 Verizon has portrayed a “two-step process,” with a verification activity
2 included in task #8 and a cross-wire placement activity in task #11 for a total of
3 *****VERIZON PROPRIETARY *****, END VERIZON**
4 **PROPRIETARY***** which is well overstated. The actual time for this
5 verification and cross-wire placement is closer to 2.5 minutes; this amount of time
6 was used as a “standard time increment” when Mr. Walsh was involved as an
7 engineer to calculate similar cross-wiring activities.

8 Verizon suggests that the Frame Technician contacts the RCCC and
9 obtains new assignment (CO Frame task #8) if the network service order
10 assignment is defective (*i.e.*, not workable). This step is inconsistent with Mr.
11 Walsh’s experience with provisioning retail services. Based on that experience,
12 the technician would normally place the order into a jeopardy state, which
13 electronically notifies the other departments of the CO Frame’s inability to
14 “work” the order. All processing stops until the order has been corrected, or until
15 CO Frame technician is re-notified (electronically) that the condition reported is
16 not a valid condition and to “work” the order as is. In either case, work doesn’t
17 resume again until the CO Frame technician has a new version of the order (*i.e.*, a
18 corrected order).

19 There is no reason that the jeopardy process should be different for CLEC
20 orders and no reason to request that the RCCC obtain another assignment. With
21 today’s OSS, Verizon need not notify anyone manually. Thus, there is no role for
22 RCCC in the activities discussed to this point.

1 In the center of this process flow exhibit is the “catch-all task,” CO Frame
2 task #18, which states “If a problem occurs, resolve the problem with Field
3 Installation technicians and the RCCC to insure that the CLEC can reach its end-
4 user at the time of installation.” Verizon includes *****VERIZON**
5 **PROPRIETARY ***** END VERIZON PROPRIETARY***** minutes of time
6 for this task, even for this example of Verizon re-using existing facilities, which
7 eliminates the need to dispatch a field Installation technician,.

8 **Q. WHAT NON-RECURRING ACTIVITIES DOES VERIZON CLAIM TO**
9 **BE NECESSARY FOR SUB-LOOP UNBUNDLING?**

10
11 A. For the “Distribution Subloop Two Wire New Initial,” Verizon assumes the same
12 activities shown in the process flow that we used in the previous example to
13 represent the field installation activities for the “Two Wire New Initial,” except
14 for the CO Frame technician. Verizon has simply removed the CO Frame’s
15 workgroup and its tasks from the sub-loop cost study, leaving the remaining
16 workgroups.

17 Some of the identified tasks of the RCCC and the Field Installation
18 technician make no sense because the work activity takes place only at the Field
19 Distribution interface. Therefore, Task #3 “Gain Access to Prem and demarcation
20 point / NID” would be unnecessary. Travel time for Task #5 is unnecessary
21 because the relevant travel is assumed in task #2. Task 6 represents costs
22 attributable to defective plant conditions; therefore, this maintenance-related cost
23 belongs in the recurring charges. Task #7 “Work with Frame, and/or RCCC if
24 necessary, for new pair assignment” is needed to reflect work on “whole loops,”

1 but certainly is unnecessary for sub-loops if there isn't any CO Frame activity.

2 The times for Tasks #8 and #13 are absurdly overstated, as we explained in
3 discussing the previous example. Task #16 is a designation at the NID which is
4 not needed for sub-loops.

5 As this summary of errors reveals, Verizon's presentation of non-recurring
6 costs for sub-loops is not a reliable source of forward-looking costs.

7 **Q. YOUR CRITIQUE OF THE VERIZON NON-RECURRING COST**
8 **STUDIES RELIES HEAVILY ON PROCESS WORK FLOWS. DOES**
9 **VERIZON ACKNOWLEDGE THE RELEVANCE OF SUCH**
10 **WORKFLOWS?**

11 A. Yes. In fact, Verizon claims that it used "process workflows" to develop the
12 surveys that were sent to the departments to determine the work times used within
13 its non-recurring cost studies.⁸¹ Additionally, the Verizon Cost Panel claims,
14 "Verizon Operations Assurance and Administration and Product Management
15 personnel reviewed the surveys to ensure that the most up-to-date work process
16 activities were included." However, when AT&T/WorldCom requested that
17 Verizon provide these process workflows, Verizon did not do so.⁸² Instead,

⁸¹ Verizon Cost Panel Direct at 311.

⁸² ATT/WorldCom asked in ATT/WCOM 4-1,b-"i. Please provide a workflow process diagram for each UNE explaining when and how these OSS are used, and the interactions of the workgroups, as they perform activity tasks related to the provisioning of UNEs." Verizon replied "i. We do not have work flow diagrams for each UNE. Rather as explained in response to 4-1a above, word descriptions of work activities were used for study purposes and to ultimately identify the necessary manual activities. Those
(continued)

1 Verizon referred back to the Verizon's Direct Exhibit H, Section D, which is the
2 "*ACTIVITY DESCRIPTIONS*" used in Verizon's NRCM. These activity
3 descriptions in no way relate directly to any "process workflows" that Verizon
4 claims were the basis for their approach to modeling non-recurring costs.

5 In lieu of the Verizon workflows, AT&T/WorldCom recreated process
6 workflows from the NRCM using the designated "*ACTIVITY DESCRIPTIONS*,"
7 as we have discussed in detail above. This recreation has demonstrated that the
8 tasks descriptions used in the Verizon non-recurring cost studies do not identify
9 discrete interactions of the OSS or the interactions of technicians to those OSS.
10 Instead, these *ACTIVITY DESCRIPTIONS* represent overlapping tasks that
11 remotely describe the functional departmental responsibilities.

12 One can easily see how employees who provided the input may have been
13 confused or did not understand proper costing principles required from TELRIC
14 methodologies. Without process workflows, it is difficult to understand how
15 employees could "identify only productive work times; eliminate[ing] those tasks
16 that are required today, but that should be unnecessary in the foreseeable future as
17 a result of process improvements or system enhancements," as the Verizon Cost
18 Panel claims.⁸³ As we have shown throughout this discussion, Verizon's survey

word descriptions are contained in Exhibit H, Section D. A generic flow diagram depicting the OSSs that are utilized to provision UNEs is attached in response to 4-1b.

⁸³

Verizon Cost Panel Direct at 300.

1 results include task times for unnecessary activities, such as field installation for
2 an order that is reusing existing facilities, as well as excessive task times, such as
3 per-request travel task times that do not reflect the efficiencies of performing
4 multiple tasks at remote COs. These inflated task times are clear evidence that
5 Verizon's managers did *not* review the survey results to ensure that the responses
6 reflected reasonably efficient times for performing tasks in Verizon's existing
7 network, much less to ensure that the responses reflected the savings achievable in
8 a forward-looking network.

9 **IV. THE COMMISSION SHOULD REJECT VERIZON'S ANALYSIS OF**
10 **COSTS FOR LINE SHARING AS EXCESSIVE AND NON-FORWARD-**
11 **LOOKING.**

12 **Q. WHAT LINE-SHARING OPTIONS HAS VERIZON PROPOSED?**

13 A. Verizon has proposed two different splitter arrangements for line sharing/line
14 splitting.⁸⁴ Under Verizon's "Option A," the competitor would purchase and
15 install the splitter in its collocation cage. Under Verizon's "Option C," the
16 competitor would purchase the splitter⁸⁵ and then transfer its ownership to
17 Verizon. For this option, either Verizon or a Verizon-approved vendor would
18 install the splitter on a relay rack located in Verizon's space and Verizon would be
19 responsible for the maintaining the splitter.

⁸⁴ Verizon Cost Panel Direct at 153-154.

1 **Q. WHAT HAS VERIZON PROPOSED IN REGARDS TO LINE**
2 **SPLITTING?**

3 A. Verizon has not made separate proposals for line splitting.⁸⁵ We have assumed
4 that Verizon's proposals for line sharing would apply equally to line splitting and
5 have addressed them in that light. There is no reason that line splitting costs
6 should be any different from those for line sharing.

7 **Q. DO VERIZON'S OPTIONS REPRESENT ALL OF THE TECHNICALLY**
8 **FEASIBLE LINE-SHARING AND LINE-SPLITTING OPTIONS?**

9 A. No. This is currently a topic of the New York DSL collaborative, which is
10 addressing, as we understand it, line-sharing and line-splitting configurations that
11 would serve as a template for service offerings throughout the Verizon region.
12 Therefore, as Ms. Murray indicated in her direct testimony, AT&T and
13 WorldCom propose to address the pricing of any additional service offering
14 options resulting from the New York collaborative once they become available.

15 **Q. HAS VERIZON PROPOSED PRICES FOR LINE-SHARING/LINE**
16 **SPLITTING OR STAND-ALONE DSL OVER FIBER?**

17 A. Unfortunately, no. Because Verizon has not yet furnished an analysis of its cost to
18 provision line-sharing arrangements or stand-alone unbundled DSL-capable loops

⁸⁵ Verizon's cost study assumes a 96-line splitter.

⁸⁶ Verizon Cost Panel Direct at 161-162.

1 over fiber-fed loops,⁸⁷ we are unable to recommend specific cost-based prices in
2 this arbitration. However, the Commission should not let Verizon or its affiliates
3 gain a competitive advantage by virtue of failing to submit costs. Therefore,
4 AT&T and WorldCom recommend that this Commission adopt a position similar
5 to that taken by several state commissions,⁸⁸ and prohibit Verizon, or any of its
6 affiliates, from providing DSL-based services over fiber facilities in Virginia until
7 Verizon has set forth terms, conditions and prices that would allow unaffiliated
8 competitors access to that capability for both stand-alone and line-shared loops
9 and parties have had an opportunity to litigate the propriety of the Verizon
10 proposals. The Commission should not allow Verizon to take advantage of any
11 current uncertainty concerning the exact nature of the company's plans for DSL
12 over fiber to provide itself or its affiliate a head start in marketing fiber-fed DSL-
13 based services in the future.

⁸⁷ Verizon asserts that “[f]iber extension of xDSL-transported services, involving the placement of either a stand-alone remote DSLAM at the RT or a DSLAM integrated in a POTS DLC RT, has not been deployed in Virginia.” Verizon Cost Panel Direct at 124.

⁸⁸ See Order, *Investigation by the Department on its own motion as to the propriety of the rates and charges set for in M.D.T.E. No. 17*, D.T.E. 98-57-Phase III at 80 (Sept. 29, 2000) at 94-96; Public Service Commission of Maryland, Case No. 8842, Phase I, Order No. 76488, Oct. 6, 2000, at 15-16; and New York Public Service Commission, Case 00-C-0127, Opinion No. 00-12, issued and effective, Oct. 31, 2000, at 25-27. See also, Illinois Commerce Commission Arbitration Decision, Dockets 00-0312 and 00-0313, Aug. 17, 2000, at 31.

1 **A. THE WIDEBAND TEST SYSTEM CHARGE SHOULD BE**
2 **OPTIONAL.**

3 **Q. PLEASE DESCRIBE THE COST BASIS FOR THE LOOP TESTING**
4 **CHARGE THAT VERIZON PROPOSES TO IMPOSE ON**
5 **COMPETITORS THAT REQUEST LINE-SHARING LOOPS.**

6 A. Verizon has proposed a monthly recurring price of \$2.19 per line for line-
7 sharing/line-splitting arrangements. Verizon intends the Wideband Test System
8 (“WTS”) charge to recover the cost of Metallic Test Access Units (“MTAUs”),
9 Wideband Test Heads and supporting OSS for a new testing system provided by
10 Hekimian.⁸⁹ According to a copy of the cost analysis and business case
11 assessment on which Verizon apparently relied in determining to purchase the
12 Hekimian wideband testing system, Verizon purchased this system to reduce

13 *****BEGIN VERIZON PROPRIETARY** *****

14 *****

15 *****

16 *****⁹⁰ *****

17 *****

18 *****

⁸⁹ Verizon Cost Panel Direct at 152.

⁹⁰ Attachment to Verizon-New York’s Response to RLI-BA-149 in NYPSC Case 98-C-1357, Network Planning Deployment Plan, NP-DP-99-155, at Section 2.0, page 1.

1 *****
2 *****
3 *****⁹¹
4 *****
5 *****⁹² **END VERIZON**
6 **PROPRIETARY*****

7 **Q. IS VERIZON’S COST ANALYSIS AND ITS PROPOSAL TO REQUIRE**
8 **COMPETITORS TO PAY A MONTHLY RECURRING CHARGE FOR**
9 **THE HEKIMIAN SYSTEM REASONABLE?**

10 A. No. Verizon has provided no justification for recovering the costs of such a
11 system from competitors, nor has it provided substantiation for its claim that the
12 system will produce savings relative to line-shared loops. In fact, the New York
13 Public Service Commission (“New York Commission”) found that Verizon VA’s
14 sister company, Verizon New York, “ha[d] not proven to what extent the number
15 of [service] dispatches would be increased in connection with line sharing
16 arrangements without the [system].”⁹³

⁹¹ *Id.* at Section 2.0, page 7.

⁹² *Id.* at Section 2.0, page 1.

⁹³ New York Public Service Commission, *Opinion and Order Concerning Lines Sharing Rates*, Opinion No. 00-07, Case 98-C-1357. *Proceeding on Motion of the Commission to Examine New York Telephone Company’s Rates for Unbundled Network Elements*, (May 26, 2000), at 26.

1 More troubling is Verizon's proposal to recover the costs for this system
2 from *all* competitors purchasing line-sharing arrangements—something the New
3 York Commission also disallowed—the system was intended to provide
4 Verizon's *retail* operations with the same testing capability that many competitors
5 already provide for themselves.

6 In other words, Verizon proposes to force competitors to bear the cost of
7 duplicative testing capabilities. Moreover, although Verizon wants competitors to
8 pay a proportionate share of the cost of its retail testing system, as far as we know,
9 Verizon has not yet agreed to allow competitors direct access to the test head or
10 direct access to the system and the results of its testing capabilities.⁹⁴ Verizon's
11 Cost Panel states simply that information regarding the results of the test will be
12 provided to competitors "upon request."⁹⁵

13 For these reasons, the Commission should require competitors to pay for
14 access to Verizon's wideband testing capability *only* if they choose to use that
15 system and *only* if Verizon provides full access to that system. Even if a carrier
16 chooses to share Verizon's WTS, the Commission should clarify that Verizon will
17 be deemed to have provided access to WTS only when it has established methods
18 and procedures, provided technical specifications, and arranged for full access to

⁹⁴ See, e.g., Verizon New Jersey's Response to Covad Request 1-42, New Jersey BPU Docket No. TO00060356. See, also, Verizon Maryland's Response to Covad Data Request No. 1, questions 13 and 14, Maryland PSC Case 8842.

⁹⁵ Verizon Cost Panel Direct at 152 at fn 32.

1 WTS by the requesting carrier. Moreover, as we discuss below, the Commission
2 should also reduce Verizon's reported cost for wideband testing to correct a
3 substantial error in Verizon's analysis.

4 **Q. IS THE CAPABILITY PROVIDED IN THE WIDEBAND TEST SYSTEM**
5 **NECESSARY TO THE PROVISIONING OF LINE-SHARED LOOPS AS**
6 **VERIZON'S COST PANEL SUGGESTS⁹⁶?**

7 A. No. Although the capability of performing testing is necessary, Verizon's
8 provision of this capability through the WTS is not. In particular, wideband
9 testing is unnecessary for carriers that plan to deploy their own testing systems in
10 the context of purchasing line-shared loops, which they are entitled to do under
11 the Commission's regulations.⁹⁷

12 Verizon asserts that it needs the WTS because it will not have access to
13 competitors' testing systems and results.⁹⁸ It is entirely unclear why Verizon
14 believes that it needs or should be allowed test access to a competitor's portion of
15 the shared loop. The Commission explicitly addressed this issue in its *Line*
16 *Sharing Order*:

17 Verizon also states that it will not be able to use its
18 own equipment to test the data portion of the shared
19 line, making Verizon's ability to maintain those
20 competitors' xDSL services "more difficult." The

⁹⁶ Verizon Cost Panel Direct at 151.

⁹⁷ See 47 C.F.R. § 51.319(h)(7) (requiring incumbent LECs to permit purchasers of line sharing to provide their own testing systems).

⁹⁸ Verizon Cost Panel Direct at 151-152.

1 record does not indicate, nor do we foresee, that
2 incumbent LECs such as Verizon would have
3 occasion to test a competitive LEC's xDSL
4 equipment or products. The quality of the service
5 that a competitive LEC provides to its customer is
6 not the incumbent's responsibility, so long as the
7 incumbent is providing sufficient quality of service
8 to the requesting carrier. We agree with
9 commenters that if they are provided with access to
10 the high frequency portion of the loop that is of
11 sufficient quality, competitive LECs have ample
12 capability and incentive to ensure the quality of the
13 services they offer to their customers, and the
14 performance of their own equipment.⁹⁹

15 Moreover, because competitors will not need to test each and every loop,
16 testing may be a relatively rare event. Even to the extent that it does not duplicate
17 a given competitor's own testing capability, the WTS may not be a cost-effective
18 solution for the sort of occasional testing that competitors will likely require,
19 because the testing system that Verizon selected provides Verizon with
20 significantly more functionality than individual advanced services competitors
21 might require.

⁹⁹ *Line Sharing Order* at ¶ 123.

1 **Q. PLEASE EXPLAIN HOW THE WTS PROVIDES VERIZON WITH**
2 **FUNCTIONALITY THAT COMPETITORS DO NOT REQUIRE.**

3 A. In addition to testing the wideband (or high-bandwidth) portion of loops, the WTS
4 can also be used to test the retail services being carried over the entire loop.¹⁰⁰

5 Verizon stated in Maryland that:

6 [t]he Hekimian test system includes a variety of
7 functionalities. Some of them are indeed related to
8 retail-level testing, which is not surprising
9 considering that the contract was negotiated at a
10 time when Verizon expected to be a retail service
11 provider.¹⁰¹

12 Although Verizon may desire this robust testing capability for its own
13 retail services, imposing that cost on competitors purchasing stand-alone or line-
14 shared DSL-capable loops is inappropriate. Moreover, Verizon has not identified
15 the retail services with which it would use the WTS. Verizon cannot claim to
16 have properly assigned WTS costs without identifying all of the services that
17 Verizon will test with WTS.

¹⁰⁰ For example, among the data that Verizon has suggested its WTS could provide to competitors on request are “POTS supervision” and “Dial Tone” testing—aspects of service that are irrelevant to the provision of advanced services based on DSL technology. Verizon Cost Panel Direct at 150.

¹⁰¹ Verizon Panel Rebuttal Testimony, Public Service Commission of Maryland Case 8842, at 49.

1 **Q. DOES VERIZON NEED ITS PROPOSED WIDEBAND TESTING**
2 **CAPABILITY IN ITS CAPACITY AS A WHOLESALE WITH**
3 **RESPONSIBILITY FOR PROVIDING QUALITY WHOLESALE**
4 **SERVICE?**

5 A. No. Any claim that Verizon designed its proposed testing system to enhance the
6 service quality of line-shared loops provided to unaffiliated competitors is
7 groundless. The record will show here, as it showed in the New York¹⁰² and
8 Maryland line sharing proceedings, that Verizon's original purpose in deploying a
9 WTS was to improve its retail DSL services.

10 Verizon witness John White (a member of Verizon's Cost Panel here)
11 testified in Maryland that the cost analysis and business case assessment on which
12 Verizon apparently relied in determining to purchase the Hekimian wideband
13 testing system¹⁰³ "was a retail study" and that it "didn't separately detail
14 wholesale requirements versus retail requirements" because it was conducted
15 "before there was a creation of the separate data affiliate designed, before line
16 sharing."¹⁰⁴ Verizon has asserted that this network planning document, which it
17 relied upon to decide to purchase the WTS, is no longer relevant to a
18 determination of the costs and benefits of a WTS to a wholesale provider.¹⁰⁵
19 Quite the contrary, it is in large part because Verizon's business case study for

¹⁰² *NYPSC Line Sharing Order* at 22-23.

¹⁰³ Network Planning Deployment Plan, NP-DP-99-155.

¹⁰⁴ Public Service Commission of Maryland Case 8842, Tr. at 750, lines 9-17.

1 wideband testing was made entirely independent of Verizon's potential role as a
2 wholesale provider that the network planning document is relevant. Verizon's
3 claims that it now needs the testing system to provide quality wholesale service
4 are entirely unsubstantiated.

5 Moreover, Mr. White also testified that Verizon's cost analysis concluded
6 that the system would pay for itself when implemented for Verizon retail
7 service.¹⁰⁶ This suggest that Verizon should instead have modeled the forward-
8 looking effect of its testing system investment as a decrease in costs relative to the
9 current level of expenses that Verizon has already built into its "forward-looking"
10 analysis, rather than as an increased cost to competitors. Verizon has not done so
11 in this case, nor has Verizon justified treating the cost of its WTS differently from
12 any of the other testing-related costs recovered through expense loadings in the
13 company's "forward-looking" cost studies.

14 **Q. HAVE STATE COMMISSIONS RULED THAT THE WTS CHARGE**
15 **SHOULD BE OPTIONAL?**

16 A. Yes. In a decision issued May 26, 2000, the New York Commission agreed that
17 competitors should not have to pay for a capability they can provide for

¹⁰⁵ See, e.g., Verizon-Massachusetts Initial Brief, Massachusetts D.T.E. 98-57, Phase III, at 61.

¹⁰⁶ Public Service Commission of Maryland Case 8842, Tr. at 750, lines 9-17.

1 themselves and allowed competitors the choice of opting for Verizon-New York's
2 Wideband Testing. According to the New York Commission:

3 The FCC has authorized CLECs to deploy their own
4 testing systems, and those wishing to do so should
5 not be required to pay for ILEC-provided testing
6 services they do not wish to purchase.¹⁰⁷

7 The Massachusetts Department and the Maryland Commission resolved
8 this issue in similar fashion. The Massachusetts Department agreed with
9 competitors that Verizon's WTS should be made optional *and* where used, the
10 competitor should have access to both the test results and the testing element
11 itself. Not only were competitors to be given access to test capabilities and
12 results, but competitors were to have immediate, electronic access.¹⁰⁸ Likewise,
13 the Maryland Commission found that "the WTS shall be an optional service that
14 the CLECs may choose to utilize,"¹⁰⁹ and required that "in those instances where a
15 CLEC has chosen to utilize Verizon's WTS system, then Verizon must provide
16 CLEC's with the test results and data for the whole frequency range."¹¹⁰

¹⁰⁷ New York Public Service Commission, *Opinion and Order Concerning Line Sharing Rates ("NYPSC Line Sharing Order")*, Case 98-C-1357, Opinion No. 090-07, issued May 26, 2000, at 25-26.

¹⁰⁸ Order, *Investigation by the Department on its own motion as to the propriety of the rates and charges set for in M.D.T.E. No. 17*, D.T.E. 98-57-Phase III at 80 (Sept. 29, 2000) ("*Massachusetts Order*") at 80.

¹⁰⁹ Public Service Commission of Maryland Order 76852 at 21.

¹¹⁰ *Id.* at 22.

1 **Q. IS VERIZON CORRECT WHEN IT ARGUES THAT WTS IS EFFICIENT**
2 **BECAUSE IT WILL REDUCE THE NUMBER OF DISPATCHES?**

3 A. No. Both the New York Commission and Massachusetts Department found that
4 competitors, not Verizon, will bear the consequences of their decisions to opt out
5 of Verizon's WTS in terms of the costs of increased dispatch.¹¹¹ For example, the
6 Massachusetts Department found that "CLECs are capable of performing their
7 own cost-benefit analysis to determine whether they should ask Verizon to install
8 an MTAU on their shared loops or whether they should forego Verizon's WTS at
9 the possible risk of increased dispatches in the event of trouble on the line."¹¹² In
10 fact, the Massachusetts Department found that Verizon's claims regarding any
11 difference in dispatch rate whatever with and without WTS were not compelling.
12 The Massachusetts Department agreed with competitors "that, unless Verizon can
13 demonstrate that the dispatch rate for CLEC-provided xDSL service is
14 comparable to the dispatch rate for Verizon's retail xDSL service, it would be
15 inappropriate to factor the latter dispatch rate into the WTS charge."¹¹³

16 This Commission should also reject any claim that Verizon will bear any
17 unnecessary burden due to the absence of mandatory WTS. The correct outcome
18 is to let the market—in particular, the choices of market participants—decide
19 whether Verizon's WTS is cost effective for competitors. For the market to do its

¹¹¹ *NYPSC Line Sharing Order* at 26.

¹¹² *Massachusetts Order* at 76.

1 job, the Commission must rule, as have regulators in New York, Massachusetts,
2 and Maryland, that Verizon's WTS charge must be an *optional one*. Moreover,
3 for competitors that do opt to use WTS, the Commission must also require
4 Verizon to provide competitors with direct access to the test head or to test results
5 to make the WTS option meaningful.

6 **Q. IS VERIZON'S REPORTED COST FOR WIDEBAND TEST SYSTEM AN**
7 **ACCURATE REPRESENTATION OF FORWARD-LOOKING OR**
8 **EFFICIENT COSTS?**

9 A. No. Far from being forward-looking and efficient, the largest component of the
10 WTS charge, the MTAU, is simply a temporary stopgap deployed to solve a
11 problem with a supplier. In particular, Verizon originally ordered DSLAMs with
12 *integrated* metallic test access from Alcatel;¹¹⁴ but Alcatel failed to deliver the
13 DSLAMs with the integrated metallic test access. Alcatel's failure led Verizon to
14 deploy the separate WTS MTAUs for its retail Infospeed™ offering as a fix.¹¹⁵

113 *Id.* at 109.

114 *See* Verizon-Massachusetts, Panel Rebuttal Testimony, at 58, Massachusetts D.T.E. 98-
57, Phase III, July 19, 2000, also Initial Brief of Rhythms Links Inc., Aug. 18, 2000, at
74.

115 *****VERIZON PROPRIETARY *******

*******END VERIZON**
PROPRIETARY*** *See* Attachment to Verizon New York's Response to RLI-BA-134,
(NP-DP-99-155) at 1, emphasis added.

1 Alcatel has paid Verizon an \$11.2 million refund to compensate for its failure to
2 deliver the promised DSLAMs.¹¹⁶

3 Verizon has stated that *****BEGIN VERIZON PROPRIETARY *******

4 *****

5 *****

6 *****

7 *****¹¹⁷ *****

8 *****

9 *******END VERIZON PROPRIETARY*****

10 Significantly, the MTAU accounts for *****BEGIN VERIZON PROPRIETARY**
11 *******END VERIZON PROPRIETARY***** of Verizon's reported cost.

12 Given that *****BEGIN VERIZON PROPRIETARY*** *******

13 *****

14 ******* END VERIZON PROPRIETARY***** the Commission should

15 eliminate the cost for it entirely. That correction, along with corrections to

16 Verizon's factors discussed by AT&T/WorldCom's Recurring Cost Panel in its

17 rebuttal testimony, would reduce Verizon's reported cost to \$0.55.

18 Elsewhere, Verizon has argued that the Alcatel refund (relating to

19 "Alcatel's failure to build the functionality of the actual test head (MTAU) into

¹¹⁶ See *id.*

1 each Alcatel DSLAM”) “has nothing to do with the costs for testing to provide the
2 wholesale service via the Heikmian [sic] system, as reflected in [Verizon’s] cost
3 studies” since “CLECs would be providing their own DSLAMs.”¹¹⁸ Verizon’s
4 argument is fallacious. The Alcatel refund has everything to do with the costs for
5 testing that Verizon proposes to recover from competitors through the mandatory
6 wideband test charge. The MTAU costs that were directly offset by the Alcatel
7 refund are included in Verizon’s cost study and used in the development of the
8 price Verizon proposes to charge competitors for the WTS.¹¹⁹ That competitors
9 will be providing their own DSLAMs, and will incur their own testing costs in
10 connection with those DSLAMs, only serves to highlight the inappropriateness of
11 burdening competitors with excessive wideband testing costs and the importance
12 of properly offsetting those costs to account for the Alcatel refund received by
13 Verizon.

¹¹⁷ *See id.* at 1.

¹¹⁸ Verizon-Massachusetts Initial Brief, Massachusetts D.T.E 98-57, Phase III, at 61.

¹¹⁹ Verizon Exhibit Part B-13.

1 **B. THE COMMISSION SHOULD HOLD VERIZON TO A STRICT**
2 **BURDEN OF PROOF IN JUSTIFYING RECOVERY CLAIMS FOR**
3 **MODIFICATIONS TO ITS OSS IN CONNECTION WITH LINE**
4 **SHARING.**

5 **Q. WHAT LINE SHARING OSS CHARGE HAS VERIZON PROPOSED?**

6 A. Verizon has proposed to charge each line sharing or line splitting arrangement and
7 additional \$0.84 per line per month for the one-time development costs and on-
8 going maintenance costs of developing the OSS software for line sharing.¹²⁰

9 **Q. HAS VERIZON SUPPLIED ENOUGH INFORMATION TO EVALUATE**
10 **THE APPROPRIATENESS OF ITS CLAIMED LINE SHARING OSS**
11 **COSTS?**

12 A. No. As with its access to OSS costs, the information provided by Verizon is
13 insufficient to determine the appropriateness of its cost estimate. Verizon has not
14 even provided any information on the scope of the proposed development.
15 Furthermore, Verizon has provided no support for its levelized demand projection
16 for line sharing and line splitting arrangements, which inexplicably differs from
17 the demand projection Verizon used in its WTS calculations.

¹²⁰ Verizon Cost Panel Direct at 146-147. Apparently, Verizon would apply this charge to its data affiliate's line sharing arrangements as well as competitors'. However, Verizon has not indicated the level of Verizon Advanced Data demand included in its projections, as opposed to demand from unaffiliated data providers.